G.R.S. IX—5]

Previous references.

1922.

(G.7.)

File No. 90.22

Serial Nos. 1-5

Later references.

G.7 82-24-3-4

82-24-5

Reserve

3.11.[illegible]

GENERAL AND REVENUE SECRETARIAT.

P=24-E

Serial Nos. 5

Part B for July 1923

SUBJECT

Enhancement of rate of interest on Capital outlay on the State Lines worked by the M & S.M. Ry: Company.

No: Pol: 389 18.7.23.

No. Memo: to the Resident: Informs him that the Govt. agree to the proposal to fix the rate of interest @ 6% from 1.10.22.

27954

G. R. S. III-21

General and Revenue Secretariat.

G.7. File No. 90 of 1922

Serial No.

1 I require for reference the Railway Secretariat file containing the Residency letter No.876 dated 11th February 1909 addressed to the Secretary for Railways. I believe copies of correspondence between the Railway Board and the Agent, M.& S.M. Ry. Company were received with the said letter and I wish to consult this correspondence also. I shall be much obliged if the file containing all these papers be sent to me for reference as early as possible.

Ry. Secretariat.)

6.1.23

2 The subject matter of the ~~letter~~ case referred to, may kindly be called for as the same could not be traced from the Registers.

11/1/23

3 Forwarded with compliments to the Financial Secretary)

4 The correspondence refers to the interest rate at 4½% to be charged on Capital outlay incurred from 1-1-1908 on the keys worked by the M & S M R for calculating Divisible Surplus Profits under Clause 19 of the Supplemental Contract of 26.6.1908

17-1-23

Ry Secy with Compliments

NOTE—Contn. sheet.

WD 02219—GPB—3,000—2-11-22

Railway Secretariat | G.7 File No. 90 of 1922

Serial No.

The file of papers containing the Residency letter No 876 dt 11th Feb 23 addressed to the Dewan of Mysore in regard to the calculation of interest at 4% on Capital outlay pertaining to the lines worked by the M & S Ry Co is sent herewith with Compliments to the financial Secretary, as desired.

8/3/23

12/3/23

REV. SECTT
12 FEB 1923

30667

O. No: 149 dt 9/2/23
D. 1631
(Confdl Section)

Serial No.

Enhancement of rate of interest on Capital Outlay on our Lines worked by the M.& S.M.Railway Company.

When our railways were transferred to the newly formed M.& S.M. Ry. Company for working, it was stipulated that interest on Capital Expenditure incurred after the 31st day of December 1907 should be allowed for out of net earnings in calculating the surplus to be shared between the Company and the Mysore Government. This stipulation is contained in Section 19 of the Agreement dated the 26th June 1908. This section however does not specify the particular rate of interest to be charged upon Capital Outlay. The rate was fixed at 4 per cent in 1909 by correspondence with the Agent of the Company. It has remained unaltered ever since and the Company continues to calculate interest at this rate in arriving at the divisible surplus. The value of money has risen in the last few years and the rate of 4 per cent can no longer represent the cost that we incur in providing capital. In their letter dated the 28th January 1909 to the Agent, M.& S.M.Ry. Company, the Railway Board observed as follows in regard to the rate to be adopted:- "In the absence of any provision in the contract as to the rate at which interest on Capital Outlay of the Mysore State Lines should be calculated

NOTE—Contn. sheet.

Serial No.

for deduction from net receipts before division of surplus profits under clauses 19 and 20, the rate of interest to be charged depends on the rate at which the Mysore Durbar raises Capital for its Lines or supplies the funds from its current revenues and you should in the first instance obtain the views of the Durbar on this point." It is clear from what is stated above that the rate to be charged is the actual cost that we incur in providing Capital. The rate of 4 per cent requires therefore to be enhanced and I accordingly put up a draft letter to the Residency for addressing the Agent of the M.& S.M.Ry. Company on the subject. For purposes of Capital Works under our own control, we have adopted the rate of 7 per cent commencing from the year 1920-21. (Vide G.O. Fe 3984/9.F.115-20-4 dated 11-2-192 I have accordingly proposed in the draft that the same rate may be followed by the Company. The new rate will have to be charged on Capital Expenditure incurred from 1920-21 and onwards. The result of the enhanced rate of interest will be the reduction of the share payable to the Company and increase of the share payable to us. The additional Railway Revenue that we shall get according to this proposal will, for the present, be not much, but, it will increase as additional Capital Outlay is incurred year after year. The case for enhancing the rate of interest is incontestible

NOTE—Contn. sheet.

5

Serial No.

a
incontestible and the Company will, I think, agree to the arrangement.

Mull.
13.2.23

Dewan

Reg. No. 4765

& Dept heads

92

9 Jonl Cr

Secretary to the Resident in Mysore,

1 To Secretary to the Resident in Mysore,
P.R. No 376 dy 20.2.23.
Requests that the Agent, M.S.M.R. be requested to have the calculation of the net earnings at 7 p.c. on the Capital outlay incurred from 1920-21 etc instead of 4 p.c. on the amount charged.

(P.T.O

NOTE—Contn. sheet.

G. R. S. III-2

General and Revenue Secretariat.

92 File No. 90 of 1922-23

Serial No.	
2	From Secretary to the Hon'ble the Resident, No 3293 dt 21.4.23. Forwards copy of letter No T6599 dt 18.4.23 received from the Agent, M.S.M.R. Co, Ld, Madras stating that the rate of interest may be fixed @ 6 p.c. from 1.X.22 on Capital outlay etc. Submtd with references. Why the rate of interest proposed in our letter was proposed has been stated in the letter. The attention of the Company has been drawn to this. It seems necessary to ask the Company to adopt 4½ p.c. for current half-year first. It should not affect the closing of accounts being closed. The revision of closed accounts for previous half-years may be separately urged afterwards. Where is the Ry Secty file?

NOTE—Contn. sheet.

Serial No.

PUD

19 As anticipated in my note dated 13th February 1923, the Company has admitted our claim to enhanced rate of interest; but it has raised some objections in regard to the particular rate to be adopted and the date from which the enhancement should be given effect to. The Company considers that the rate of 7 per cent. proposed by us is higher than it should be and quotes rates charged by the Government of India to prove that the rate suggested by us is high. It proposes to adopt the rate of 6 per cent. subject to modifications from time to time "in accordance with any alteration in the rate which may be notified by the Government of India".

19 The assumption on which the Company's contention is based is incorrect. The capital under consideration is our contribution and the rate to be charged for it is that at which we can supply it. This point is incontestable as will be evident from the following extract from the Railway Board's letter dated 28th January 1909 to the Agent, M. & S. M. Ry. Coy. on this very subject:-

S

> " In the absence of any provision in the contract as to the rate at which interest on capital outlay of the Mysore State lines should be calculated for deduction from net receipts before division of surplus profits under clauses 19 and 20, the rate of interest to be charged depends on the rate at which the Mysore Durbar raises capital for its lines or supplies the funds from its current revenues and you should in the first instance obtain the views of the Durbar on this point".

NOTE—Contn. sheet.

Serial No.

10 The underlined portion of the above extract leaves no room for doubt as to what should govern the rate to be charged.

11 We proposed to charge the rate of 7 per cent. [illegible] that is the rate which we have decided after much consideration to charge in the case of capital works under our own control. We found by calculation that taking all the three loans recently raised by us at the rates of 6¼ per cent., 6½ per cent. and 7 per cent the average cost of supplying capital for productive works, making allowance for a small fraction of a rupee for rupees one hundred of debt for Public Debt administration charges, worked out to 7 per cent. [illegible] this rate we proposed to charge commencing from the year 1920-21 from which we enhanced the rate in the case of our own railways and ~~for~~ other productive works.

12 The Company states that the Government of India's rate has varied from 5½ to 6½ per cent. commencing from 1st April 1918 and this raises the important question why the Company did not give us the benefit of these enhanced rates, if it held that the rates to be charged should follow those fixed by the Government of India. It is unreasonable on the part of the Company to contend that the Government of India rate should be adopted in our case and at the same time refuse to give us the benefit of it from the year from which the enhanced rates

NOTE—Contn. sheet.

Serial No.

rate came into effect.

2. On principle, however, I think the rate to be charged by us should be that which we fix and not that adopted by the Government of India or that at which that Government may be able to supply capital. The conditions under which the Government of India and the Government of Mysore can raise capital money cannot be the same until the Imperial Bank of India Act is amended so as to permit of our securities being placed on a par with those of the Government of India and the Provincial Governments and even after such recognition is secured, it may happen that we may have to pay a little more than the Government of India for loans raised by us. For these reasons, I consider that we should insist upon the Company accepting the rate fixed by us and giving effect to it from the year proposed by us.

3. The Company's contention that no retrospective effect can be given on the grounds that the accounts for the years 1920-21 and 1921-22 and for the half year ending with September 1922 have been closed and that income and super taxes have been paid on the shares of surplus profits calculated according to the old rate is, I consider, untenable for two reasons: (1) as the Company states that the Government of India rates should be followed, it should have, as a matter of course, given effect to the rates of that Government

NOTE—Contn. sheet.

whon

Serial No.

when they were raised, and, (2) the correction re[illegible] ed by the re-calculation of surplus profits earned on account of retrospective effect given to the rate of interest ~~interest~~ interest can be applied through the accounts for the half year ending with March 1923 and if the Company paid income and super taxes on a higher amount for the previous five half years, it need ~~be~~ pay a correspondingly smaller amount of taxes on its profits ~~for~~ for the half year ending with March 1923. I do not therefore see any difficulty or injury to the interests of the Company in giving retrospective effect.

3. I accordingly put up a draft reply.

26/4/23

Dewan)

DEWAN'S OFFICE.
Recd. on APR 27 1923
Reg. No. 6318

with I file.

30.4

25 Dore

30.4.23

3.76 Do Secy to the Resident No pol 1004 d 25.5.23

Requests that in the circumstances stated the rate 8 p.c. may be adopted —

Secy to Resident No pol 165 d 14/5/23 with reference to his pr denial states that the matter has been referred to the Bd of Directors

Further reply may be awaited

Secy

Note 165 15/5

(Dewan)

26.7

10/8/23

NOTE—Contn. sheet.

G. R. S. III-21

General and Revenue Secretariat.

G.7 File No. 90 of 1922-23

Serial No.	
6 i	28 From the Secretary to the Resident in Mysore No. 5137 dated the 26th July 23. Forwards for information and favourable action a copy of letter No. T 559/C&F 2 dated the 28th June 23, from the Secretary, Railway Board stating that his Board approve of his proposal that the rate of interest on Capital Expenditure on the State Railways should be fixed at 6 p.c. with effect from 1st October 1922. 29 Submitted for orders with references. 4.7.23 (1) It is noted that there is no Stipulation in the agreement as regards the rate of interest to be charged on Capital outlay incurred after 31st Dec^{r} 1907, but only 4 p.c. is being allowed since then and that there is therefore no obligation on the part of the Company to allow the rate of interest at which the Mysore Govt have raised Capital. (2) that the rate of 7 p.c. demanded by us requires justification (3) past 5 years accounts cannot be reopened. The Company proposes a rate of 6 p.c. and says that if this rate is not agreed to, it suggests reference to the Railway Board as the present case and

NOTE—Contn. sheet.

Serial No.

in regard to rate the charged in future
Evidently it is not prepared to revise
the rate for previous years.
The Company has not thus conceded
any of the points raised by us.

7/7/23

7/7/23

3) The attitude of the Co is most unreasonable. If there is no obligation to pay a higher rate than 4 p.c. why do they now agree to pay 6 p.c from Octr 22? The Ry Bd definitely stated in their letter of 20.6.23 that the rate shd be that at which we supply Capital. Our contention is perfectly correct; otherwise the Co would not have agreed to raise the rate from 4 to 6 p.c.

4) The refusal to allow the enhanced rate with effect from 1920-21 is also unfair and beyond repeating the old argument the Co has urged no Considerations in answer to the points Mentioned in our Comm.No 2.5.23

5) I do not feel Confident Contention of the Ry Bd supporting us, tho our [illegible] is correct for more reasons than one. In the first place the Money rates are showing a tendency to go down; the Board Consult Officers closely associated with Companies and it generally supports the latter

NOTE—Contn. sheet.

13

G. R. S. III-2]

General and Revenue Secretariat. File No. of 19

Serial No.

1) If we ask for 7½ for a few years we may have to agree to less than 6½ when the rate falls below that rate. The present proposal of the Co is to allow 6½ from 1-10-22. We may agree to this and close the case. In view of the probable value of money in future the rate of 6½ is favourable to us if it is allowed for all Capital from 1-10-22.

2) In these circs. I propose that we may reply to say that we agree to the proposal "that the rate should be fixed at 6½ with effect from 1-10-22".

3) If this is approved a reply will be sent to the Resy as proposed and the Ry Admn informed of the new understanding so that the calculation of the surplus profits may be regulated accordingly.

4) This is one of the reasons for expressing our reluctance to

Secretary's Office
9-7-23

Yours

5) Please take action as proposed above and put up draft

Draft
10-7-23

DEWAN'S OFFICE.
Rcvd. on JUL 9 1923
Reg. No. 208

NOTE—Contn. sheet.

G. R. S. III-21

General and Revenue Secretariat. | G.A. File No. 90 of 1922.

Serial No.

4 Minutes with draft for approval

mkb 17/7/20

4 Done. A copy of the Communique may be sent to Fy Sects and ref papers of that Sect returned to it

mkb 18/7/20

14.7.20

mkb 14/7

4 & 20 the Secy w Resolution No 901 38 d 18.7.20 states there are many-sided aspects in this proposal of this rate of interest adopted for calculating the divisable surplus of mems. No 422-3.D 1925.

Copy w Comptr & Auditor Genl Rpt

B 23.9.20

NOTE—Contn. sheet.

one file (NO: 241 of 1903) re the trade of interest to be charged on capital portion of the Mysore State Railways Bond. to H. Secy: with Rly: Secy's NO 1249/D. 1631 dy 9.2.23

(~~This slip to be kindly returned to this Office~~) Extracted &

WBRao 24/8/23 Taken in person by the Rly: Secty: peon

Draft. G.7. 90. 22-1 1

To

The Secretary to the
Hon'ble the Resident in Mysore,
Bangalore.

Rdl 776
20 Feb 1923

Sir,

I am desired to invite reference to letter No. 143 dated the 3rd March 1909 from the Secretary to Government of Mysore, Railway Department, in which it was proposed that interest at 4 per cent might be calculated on ~~the~~ Capital Outlay for purposes of arriving at, according to clauses 19 and 20 of the contract dated the 26th June 1908, the divisible surplus of the railways of the ~~Gov~~ Mysore Government worked by the M.& S.M. Railway Company. In view of the enhanced value of money, it is necessary to increase the rate of interest and I am accordingly directed to request you to address the Agent, M.& S.M. Ry. Company to have interest at 4 per cent calculated on the Capital Expenditure incurred to end of ~~1919-20~~ June 1919-20 and at 7 per cent on the Capital Outlay incurred from 1920-21. These are the rates at which the Mysore Government are charging interest on the Capital Concerns under their control and the same rates are proposed for their railways worked by the Company. I am to add that the Agent may be kindly requested to have the calculation of the net earnings revised according to these rates with effect from 1920-21.

I have the honour to be,

S i r,

Your most obedient servant,

Secy 13.2.23

Pol. 1371

G.7.90.22.2

MYSORE RESIDENT'S OFFICE,

Bangalore, 24 April 1923.

No. 3293 Encls. 1
1-A/1885.

DIARY No.

23 APR 1923

A copy of the marginally* noted letter, with enclosure, is forwarded with compliments, to the Chief Secretary to the Government of H. H. the Maharaja of Mysore, with reference to his letter no. 776-Pol., dated the 20th February 1923.

No. T5599 dated 18th April 1923, from the Agent, Madras Mahratta Railway Co., Madras.

Great Southern of India Rly. Co. Ltd., Madras.

for Secretary to the Resident.

R. O. 106.—R. P. B.—7-1922.—2,000.

Letter No. T.5599, dated the 18/19th April 1923, from the Agent, Madras & Southern Mahratta Railway Co., Ltd., Madras, to the Secretary to the Hon'ble the Resident in Mysore.

---:0:---

With reference to your No.1743/1-A.1885, dated 26th February 1923, forwarding letter No. Pol.776 of the 20th February 1923, from the Financial Secretary to the Government of Mysore, in which it is proposed, that interest at 7 % should be calculated on Capital Outlay in lieu of the 4 % now charged, for purposes of arriving at the - divisible surplus of the Railways of the Mysore Government worked by this Company, I have the honour to request that this Railway may be informed of the basis upon which so high a figure as 7 % is framed.

2. Attention is drawn to the fact that the recent rates of interest charged by the Government of India are as follows:-

5½ % from 1st April 1918.
6½ % from 1st April 1920.
6 % from 1st July 1922.
5½ % from 1st November 1922.

3. With regard to the date from which it is proposed to revise the rate of interest, it is regretted that retrospective effect from the year 1920-21 cannot be agreed to.

4. It is pointed out that retrospective application would involve the re-opening of closed accounts for the years 1920-21, and 1921-22 accounts on which this Company has already paid Income-Tax and Super Tax on its share of the Mysore State Railway Profits.

5. In letter No. 143, dated 3rd March 1909 the rate of interest therein agreed to was given effect to, from the 1st July 1908, that is from the commencement of the year in which the rate was fixed, and any modification to this rate should have effect only from the 1st October 1922, having regard to the fact also that whereas accounts were formerly compiled for the calendar year, they are now compiled for the financial year, and the surplus profits for the half year ending September 1922, have already been declared and remitted.

6. Subject to approval by my Board, I beg to propose that the rate should be fixed at 6 % with effect from 1st October 1922, to be subject to modification from time to time, in accordance with any alteration in the rate which may be notified by the Government of India.

---:0:---
"C O P Y"

Draft. Pol 1004 4

No. dated 22 May 1923

G.I. 90-22-3 To

A.M.L. Cater, Esq., I.C.S.,
Secretary to the Hon'ble the
Resident in Mysore, BANGALORE.

S i r,

I am directed to acknowledge the receipt of your letter No.3293/1-A/1885 dated 21st April 1923 forwarding a copy of letter No.T.5599 dated 18/19th April 1923 from the Agent, Madras and Southern Mahratta Railway Company.

Y. The rate of 7 per cent. proposed in my letter No. Pol.776 dated 20th February 1923 is not high, as it represents the actual cost incurred by the Mysore Governmen in making the supply of capital available. The last loan raised by the Government was at the rate of 7 per cent. and making allowance for the debt administration expenses, t the rate to be charged to productive works should be about 7½ per cent. In view, howev of the fact that the two other loans recently raised by the Government were at 6¼ per cent. and 6½ per cent., it was considered reasonable to arrive at an average rate for all the three loans ~~recently raised by Government~~ and this worked out to a little less than 7 per cent. and making allowance for the debt administration expenses, the rate to be charged to productive works has been fixed at 7 per cent. This is the rate charged on the funds provided for the capital concerns under the control

control of the Mysore Government and the same rate has been proposed to be charged on the capital supplied for their railway lines worked by the Company. This point has been clearly stated in my letter of the 20th February 1923.

It is proposed by the Company that the rate may be fixed at 6 per cent. subject to modifications from time to time in accordance with any alternation in the rate which may be notified by the Government of India. In this connection I have to invite attention to the following extract from ~~the~~ letter No. 71 R.A. dated the 28th January 1909 from the Secretary, Railway Board, ~~Calcutta~~, to the Agent, Madras and Southern Mahratta Railway Company:-

> "in the absence of any provision in the contract as to the rate at which interest on capital outlay of the Mysore State lines should be calculated, for deduction from net receipts before division of surplus profits under clauses 19 and 20, the rate of interest to be charged depends upon the rate at which the Mysore Durbar raises capital for its lines".

It will be evident from the underlined portion of the extract that the rate to be adopted is that at which the Mysore Government provide funds and that the rates at which the Government of India may be able to raise loans cannot apply to capital supplied by the Mysore Government for their lines.

As regards the view that retrospective ~~of~~ application cannot be given to the enhanced rate of interest, I am to point

but that it is not fair to the Mysore Government. As stated by the Agent, the rate of interest was enhanced by the Govt. of India to 5½ per cent. from 1st April 1918 and it has varied between 5½ and 6½ per cent. from that date. In view of the increased value of money and the enhanced rates adopted by the Government of India, it is reasonable to revise the calculations of surplus profits from 1st April 1918. If, as stated by the Agent, the Government of India rates should be adopted in regard to the capital of the Mysore lines, the enhancement should reasonably have been given effect to from 1st April 1918 and it is not clear why the previous rate of 4 per cent. was ~~adopted~~ continued to be adopted in spite of the increased rates fixed by the Government of India.

It is urged that retrospective application cannot be given effect to the increased rate on the ground that the Company has already paid income and super taxes on its share of the Mysore State Railway profits. The retrospective application will not increase, on the whole, the liability of the Company to these taxes, as in the half year in which the correction on account of the enhanced rate is applied, the amount of profits assessable to income and super taxes ~~in the pr~~ will be less, corresponding to the excess in the previous half years in which the Company's share of the profits was overstated. Besides, the amount involved in the re-calculation of the Company's share

of

of surplus profits is comparatively small.

In the circumstances stated above, the Agent may be requested to kindly agree to the adoption of the rate of 7 per cent. with effect from the year 1920-21. As observed above, the old rate of 4 per cent. is not proposed to be increased for the two years, 1918-19 and 1919-20, although its enhancement is justifiable in view of the higher value of money in those years and of the higher rates of interest charged by the Government of India.

I have, etc.,

26.4.23

FINANCIAL SECRETARY TO GOVT.

Pol 1451

4680

MYSORE RESIDENT'S OFFICE,

Bangalore, 14th May 1923.

No. 3806 Encls. 1

1-A-1885.

14 MAY 1923

A copy of the marginally* noted letter, ~~with enclosure~~, is forwarded with compliments, to the ~~Chief~~ Financial Secretary to the Government of H. H. the Maharaja of Mysore, for information, with reference to his letter No. 1004 Pol. dated the 2nd May 1923.

No. P. 5599 dated the 9th May 1923 from the Agent, Madras & Southern Mahratta Railway Co., Ltd.,

57. 90-23

Secretary to the Resident.

AYR

R. O. 106.—R. P. B.—7-1922.—2,000.

9

Letter No. T.5599, dated the 9th May 1923, from the Agent, Madras & Southern Mahratta Railway Co., Ltd., to the Hon'ble the Resident in Mysore, Bangalore.

---:O:---

With reference to your letter No. 3600/1-A-1885 Enc.2 dated the 5th May 1923, forwarding a copy of letter No. 1004 dated 2nd May 1923 from the Financial Secretary to the Government of Mysore, I have the honour to state that the question is being referred to my Board of Directors for their instructions, and that a further reply will follow in due course.

----:O:----

" C O P Y

REGISTRAR, RESIDENT'S OFFICE.

SVR

Pol 3

R. O. 2.—P. P. B.—11—1922.—5,000.

No. 5737 Enclos. *Dated Bangalore,* 30 July *192*

1 A-1885.

From

A.N.L. Cater, Esq., I.C.S.,

SECRETARY TO THE RESIDENT IN MYSORE.

3 JUL 1923

To

The Financial Secretary to the Government of Mysore.

Subject:—

Interest on capital expenditure on Mysore State Railways.

Sir,

With reference to your letter No.1004.- Pol., dated the 2nd May 1923, I am directed forward, for information and such further action as the Government of Mysore may deem necessary, a copy of letter No.T/5599, dated the 28th June 1923, from the Agent, Madras & Southern Mahratta Railway Co., Ltd.

I have the honour to be,
Sir,
Your most obedient servant,

SECRETARY TO THE RESIDENT.

PN

The Madras & Southern Mahratta Railway Co., Ltd.
(INCORPORATED IN ENGLAND)

TELEGRAPH ADDRESS.
"FREIGHT", MADRAS.

POST BOX No. 523.

ORIENTAL SUB-EXCHANGE Nos. 1501-1505.

AGENT'S OFFICE,
Park Town, Madras,

RESIDENT'S OFFICE,
BANGALORE.
Register No.
Date of Receipt
No.

IN REPLY PLEASE REFER TO No. T/5599.

28th June 1923

The Secretary
to the Hon'ble the Resident in Mysore,
Bangalore.

Sir,

INTEREST ON CAPITAL EXPENDITURE ON MYSORE STATE RAILWAYS.

With reference to correspondence ending with letter No.Pol.1004, dated 2nd May 1923, from the Financial Secretary to the Government of Mysore, forwarded under your No.3600/1.A-1885, dated 5th May 1923 and in continuation of this office letter No.T.5599, dated 9th May 1923, I have the honour to state that my Board of Directors have replied as follows:-

My Board remark that under clause 19 of the Contract of 26th June 1908, interest is payable to the Mysore Durbar on any Capital expenditure incurred after 31st December 1907 in respect of the Mysore State Lines, and the half yearly divisible surplus is arrived at after allowing for such interest. The Contract does not state at what rate the interest should be charged but hitherto 4% has been allowed.

With reference to the Railway Board's letter No.71 R.A. dated 28th June 1908, it is pointed out that in their letter No.143, dated 3rd March 1909, the Mysore Durbar while expressing the opinion, that interest should be calculated at 4 per cent on the entire Capital outlay to the end of the previous half year, and on half the Capital outlay of the half year to which the account relates, did not state any views as to the rate of interest to be adopted in future, nor did they indicate that they contemplated any change. It was not therefore agreed by this Railway Company that the rate of

interest should be adopted at which the Mysore Durbar may raise Capital for its own Lines.

My Board endorse my opinion that the request for a rate of interest so high as 7 per cent requires justification and approve of my proposal that the rate should be fixed at 6% with effect from 1st October 1922.

My Board would object to the reopening of past accounts which would affect the whole of the Company's transaction during previous periods which have been finally liquidated, and on which income and super tax have already been paid by the Company.

If the Mysore Durbar, however, do not agree to the proposed rate of 6%, my Board would be prepared to accept the Railway Board's decision both on the present case and in regard to the rate of interest to be charged from time to time in future, provided that this decision is given in each year in time to enable the accounts to be closed without delay.

I have the honour to be,

S i r,

Your most obedient servant,

Sd. C. L. Nagpurkar
Brig. Genl

K.D.

A g e n t.

Copy

G. R. S. VI—G/32]

13

SUBJECT.....

.....

.....

Diary No. of letter replied to.....

General and Revenue Secretariat

( )

, *the* 191 .

Date of issue 18 July 1923

Signed by M. N. Krishna Rao.

Section G.C.

File No. 90-22

Serial No 5.

No. Col 38

To

The Secretary to the Resident

Sir,

I am directed to acknowledge the receipt of your letter No 5137 I.A. 1835 dated 3rd July 1923 forwarding a copy of letter No T.53-99 d: 28/2 from the Agent M & S.M. Ry Co Ltd and to state that the Mysore Govt are agreeable to the proposal ~~that~~ the rate of interest ~~should be fixed~~ at 6% with effect from 1-10-1922 ~~1-10-1922~~ ~~adopted for calculating the Calculated on capital outlay for purposes of assigning the divisible surplus profits according to clause 19 & 20 of the Contract existing between the Govt & the M & S.M. Ry Co~~ dated 26-6-08.

over.

14-7-23
Asst Secy to Govt

No 7(422-3
dt 19/7/23

Copy of Auditor Mys Rep for information with the request that the calculation of Surplus profits should be made according to the above mentioned principles.